



GENERAL ASSEMBLY COMMONWEALTH OF KENTUCKY

2006 REGULAR SESSION

HOUSE BILL NO. 131

AS ENACTED

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TREY GRAYSON
SECRETARY OF STATE
COMMONWEALTH OF KENTUCKY
BY R. Soller

AN ACT relating to health insurance.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

Section 1. KRS 18A.225 is amended to read as follows:

(1) (a) ~~The term "health maintenance organization" for the purposes of this section means a health maintenance organization as defined in KRS 304.38-030 or as a nonprofit hospital, medical surgical, dental, and health service corporation, which has been licensed by the Kentucky Health Facilities and Health Services Certificate of Need and Licensure Board or its successor agency and issued a certificate of authority by the Office of Insurance as a health maintenance organization or as a nonprofit hospital, medical surgical, dental, and health service corporation and which is qualified under the requirements of the United States Department of Health, Education and Welfare except as provided in subsection (2) of this section; and~~

(b) The term "employee" for purposes of this section means:

1. Any person, including an elected public official, who is regularly employed by any department, office, board, agency, or branch of state government; or by a public postsecondary educational institution; or by any city, urban-county, charter county, county, or consolidated local government, whose legislative body has opted to participate in the state-sponsored health insurance program pursuant to KRS 79.080; and who is either a contributing member to any one (1) of the retirement systems administered by the state, including but not limited to the Kentucky Retirement Systems, Kentucky Teachers' Retirement System, the Legislators' Retirement Plan, or the Judicial Retirement Plan; or is receiving a contractual contribution from the state toward a retirement plan; or, in the case of a public postsecondary education institution, is an individual participating in an optional retirement plan authorized by

1 KRS 161.567;

2 2. Any certified or classified employee of a local board of education;

3 3. Any person who is a present or future recipient of a retirement
4 allowance from the Kentucky Retirement Systems, Kentucky Teachers'
5 Retirement System, the Legislators' Retirement Plan, the Judicial
6 Retirement Plan, or the Kentucky Community and Technical College
7 System's optional retirement plan authorized by KRS 161.567, except
8 that a person who is receiving a retirement allowance and who is age
9 sixty-five (65) or older shall not be included, with the exception of
10 persons covered under KRS 61.702(4)(c), unless he or she is actively
11 employed pursuant to subparagraph 1. of this paragraph; and

12 4. Any eligible dependents and beneficiaries of participating employees
13 and retirees who are entitled to participate in the state-sponsored health
14 insurance program.

15 **(b) The term "health benefit plan" for the purposes of this section means a**
16 **health benefit plan as defined in KRS 304.17A-005;**

17 **(c) The term "insurer" for the purposes of this section means an insurer as**
18 **defined in KRS 304.17A-005; and**

19 **(d) The term "managed care plan" for the purposes of this section means a**
20 **managed care plan as defined in KRS 304.17A-500.**

21 (2) (a) The secretary of the Finance and Administration Cabinet, upon the
22 recommendation of the secretary of the Personnel Cabinet, shall procure, in
23 compliance with the provisions of KRS 45A.080, 45A.085, and 45A.090,
24 from one (1) or more insurers~~[health insurance companies or from one (1) or~~
25 ~~more health maintenance organizations]~~ authorized to do business in this
26 state, a group health benefit plan~~[policy or policies of group health care~~
27 ~~coverage]~~, that may include but not be limited to health maintenance

1 organization (HMO), preferred provider organization (PPO), point of service
2 (POS), and exclusive provider organization (EPO) benefit plans encompassing
3 all or any class or classes of employees. With the exception of employers
4 governed by the provisions of KRS Chapters 16, 18A, and 151B, all
5 employers of any class of employees or former employees shall enter into a
6 contract with the Personnel Cabinet prior to including that group in the state
7 health insurance group. The contracts shall include but not be limited to
8 designating the entity responsible for filing any federal forms, adoption of
9 policies required for proper plan administration, acceptance of the contractual
10 provisions with health insurance carriers or third-party administrators, and
11 adoption of the payment and reimbursement methods necessary for efficient
12 administration of the health insurance program. Health insurance coverage
13 provided to state employees under this section shall, at a minimum, contain
14 the same benefits as provided under Kentucky Kare Standard as of January 1,
15 1994, and shall include a mail-order drug option as provided in subsection
16 ~~(13)~~~~(14)~~ of this section. All employees and other persons for whom the
17 health care coverage is provided or made available shall annually be given an
18 option to elect health care coverage through a self-funded plan offered by the
19 Commonwealth or, if a self-funded plan is not available, from a list of
20 coverage options determined by the competitive bid process under the
21 provisions of KRS 45A.080, 45A.085, and 45A.090 and made available
22 during annual open enrollment.

23 (b) The policy or policies shall be approved by the executive director of insurance
24 and may contain the provisions he approves, whether or not otherwise
25 permitted by the insurance laws.

26 (c) Any carrier bidding to offer health care coverage to employees shall agree to
27 provide coverage to all members of the state group, including active

1 employees and retirees and their eligible covered dependents and
2 beneficiaries, within the county or counties specified in its bid. Except as
3 provided in subsection ~~(18)~~[(19)] of this section, any carrier bidding to offer
4 health care coverage to employees shall also agree to rate all employees as a
5 single entity, except for those retirees whose former employers insure their
6 active employees outside the state-sponsored health insurance program.

7 (d) Any carrier bidding to offer health care coverage to employees shall agree to
8 provide enrollment, claims, and utilization data to the Commonwealth in a
9 format specified by the Personnel Cabinet with the understanding that the data
10 shall be owned by the Commonwealth; to provide data in an electronic form
11 and within a time frame specified by the Personnel Cabinet; and to be subject
12 to penalties for noncompliance with data reporting requirements as specified
13 by the Personnel Cabinet. The Personnel Cabinet shall take strict precautions
14 to protect the confidentiality of each individual employee; however,
15 confidentiality assertions shall not relieve a carrier from the requirement of
16 providing stipulated data to the Commonwealth.

17 (e) The Personnel Cabinet shall develop the necessary techniques and capabilities
18 for timely analysis of data received from carriers and, to the extent possible,
19 provide in the request-for-proposal specifics relating to data requirements,
20 electronic reporting, and penalties for noncompliance. The Commonwealth
21 shall own the enrollment, claims, and utilization data provided by each carrier
22 and shall develop methods to protect the confidentiality of the individual. The
23 Personnel Cabinet shall include in the October annual report submitted
24 pursuant to the provisions of KRS 18A.226 to the Governor, the General
25 Assembly, and the Chief Justice of the Supreme Court, an analysis of the
26 financial stability of the program, which shall include but not be limited to
27 loss ratios, methods of risk adjustment, measurements of carrier quality of

1 service, prescription coverage and cost management, and statutorially required
 2 mandates. If state self-insurance was available as a carrier option, the report
 3 also shall provide a detailed financial analysis of the self-insurance fund
 4 including, but not limited to, loss ratios, reserves, and reinsurance agreements.

5 (f) If any agency participating in the state-sponsored employee health insurance
 6 program for its active employees terminates participation and there is a state
 7 appropriation for the employer's contribution for active employees' health
 8 insurance coverage, then neither the agency nor the employees shall receive
 9 the state-funded contribution after termination from the state-sponsored
 10 employee health insurance program.

11 (g) Any funds in flexible spending accounts that remain after all reimbursements
 12 have been processed shall be transferred to the credit of the state-sponsored
 13 health insurance plan's appropriation account.

14 (h) Each entity participating in the state-sponsored health insurance program shall
 15 provide an amount at least equal to the state contribution rate for the employer
 16 portion of the health insurance premium. For any participating entity that used
 17 the state payroll system, the employer contribution amount shall be equal to
 18 but not greater than the state contribution rate.

19 ~~(3)[The secretary of the Finance and Administration Cabinet, upon the recommendation~~
 20 ~~of the secretary of the Personnel Cabinet, may procure from one (1) or more dental~~
 21 ~~insurance companies, one (1) or more nonprofit hospital, medical surgical, dental,~~
 22 ~~and health service corporations organized under Subtitle 32 of KRS Chapter 304, or~~
 23 ~~one (1) or more prepaid dental plan organizations organized under Subtitle 43 of~~
 24 ~~KRS Chapter 304, a policy or policies of group dental insurance or prepaid dental~~
 25 ~~plan coverage encompassing all or any class or classes of employees. All employees~~
 26 ~~for whom the dental insurance or prepaid dental plan coverage is provided shall~~
 27 ~~annually be given an option to elect either standard dental insurance coverage or~~

1 coverage by a prepaid dental plan. The policy or policies shall be approved by the
 2 executive director of insurance and may contain the provisions he approves,
 3 whether or not otherwise permitted by the insurance laws. It is intended that either
 4 dental insurance or prepaid dental plan coverage may be made available for
 5 employees, except that the procuring of each is permissive.

6 (4)] The premiums may be paid by the policyholder:

7 (a) Wholly from funds contributed by the employee, by payroll deduction or
 8 otherwise;

9 (b) Wholly from funds contributed by any department, board, agency, public
 10 postsecondary education institution, or branch of state, city, urban-county,
 11 charter county, county, or consolidated local government; or

12 (c) Partly from each, except that any premium due for health care coverage or
 13 dental coverage, if any, in excess of the premium amount contributed by any
 14 department, board, agency, postsecondary education institution, or branch of
 15 state, city, urban-county, charter county, county, or consolidated local
 16 government for any other health care coverage shall be paid by the employee.

17 (4) [(5)] If an employee moves his place of residence or employment out of the service
 18 area of an insurer offering a managed health care plan [~~or of a prepaid dental plan~~],
 19 under which he has elected coverage, into either the service area of another
 20 managed health care plan [~~or prepaid dental plan~~] or into an area of the
 21 Commonwealth not within a managed health care plan service area [~~or prepaid~~
 22 ~~dental plan service area~~], the employee shall be given an option, at the time of the
 23 move or transfer, to change his or her coverage to another health benefit [~~care~~] plan [~~or dental plan~~].

25 (5) [(6)] No payment of premium by any department, board, agency, public
 26 postsecondary educational institution, or branch of state, city, urban-county, charter
 27 county, county, or consolidated local government shall constitute compensation to

1 an insured employee for the purposes of any statute fixing or limiting the
 2 compensation of such an employee. Any premium or other expense incurred by any
 3 department, board, agency, public postsecondary educational institution, or branch
 4 of state, city, urban-county, charter county, county, or consolidated local
 5 government shall be considered a proper cost of administration.

6 ~~(6)~~~~(7)~~ The policy or policies may contain the provisions with respect to the class or
 7 classes of employees covered, amounts of insurance or coverage for designated
 8 classes or groups of employees, policy options, terms of eligibility, and continuation
 9 of insurance or coverage after retirement.

10 ~~(7)~~~~(8)~~ Group rates under this section shall be made available to the disabled child of
 11 an employee regardless of the child's age if the entire premium for the disabled
 12 child's coverage is paid by the state employee. A child shall be considered disabled
 13 if he has been determined to be eligible for federal Social Security disability
 14 benefits.

15 ~~(8)~~~~(9)~~ The health care contract or contracts for employees shall be entered into for a
 16 period of not less than one (1) year.

17 ~~(9)~~~~(10)~~ The secretary shall appoint thirty-two (32) persons to an Advisory Committee
 18 of State Health Insurance Subscribers to advise the secretary or his designee
 19 regarding the state-sponsored health insurance program for employees. The
 20 secretary shall appoint, from a list of names submitted by appointing authorities,
 21 members representing school districts from each of the seven (7) Supreme Court
 22 districts, members representing state government from each of the seven (7)
 23 Supreme Court districts, two (2) members representing retirees under age sixty-five
 24 (65), one (1) member representing local health departments, two (2) members
 25 representing the Kentucky Teachers' Retirement System, and three (3) members at
 26 large. The secretary shall also appoint two (2) members from a list of five (5) names
 27 submitted by the Kentucky Education Association, two (2) members from a list of

1 five (5) names submitted by the largest state employee organization of nonschool
 2 state employees, two (2) members from a list of five (5) names submitted by the
 3 Kentucky Association of Counties, two (2) members from a list of five (5) names
 4 submitted by the Kentucky League of Cities, and two (2) members from a list of
 5 names consisting of five (5) names submitted by each state employee organization
 6 that has two thousand (2,000) or more members on state payroll deduction. The
 7 advisory committee shall be appointed in January of each year and shall meet
 8 quarterly.

9 ~~(10)~~~~(11)~~ Notwithstanding any other provision of law to the contrary, the policy or
 10 policies provided to employees pursuant to this section shall not provide coverage
 11 for obtaining or performing an abortion, nor shall any state funds be used for the
 12 purpose of obtaining or performing an abortion on behalf of employees or their
 13 dependents.

14 ~~(11)~~~~(12)~~ Interruption of an established treatment regime with maintenance drugs shall
 15 be grounds for an insured to appeal a formulary change through the established
 16 appeal procedures approved by the Office of Insurance, if the physician supervising
 17 the treatment certifies that the change is not in the best interests of the patient.

18 ~~(12)~~~~(13)~~ Any employee who is eligible for and elects to participate in the state health
 19 insurance program as a retiree, or the spouse or beneficiary of a retiree, under any
 20 one (1) of the state-sponsored retirement systems shall not be eligible to receive the
 21 state health insurance contribution toward health care coverage as a result of any
 22 other employment for which there is a public employer contribution. This does not
 23 preclude a retiree and an active employee spouse from using both contributions to
 24 the extent needed for purchase of one (1) state sponsored health insurance policy for
 25 that plan year.

26 ~~(13)~~~~(14)~~ (a) The policies of health insurance coverage procured under subsection (2)
 27 of this section shall include a mail-order drug option for maintenance drugs

1 for state employees. Maintenance drugs may be dispensed by mail order in
2 accordance with Kentucky law.

3 (b) A health insurer shall not discriminate against any retail pharmacy located
4 within the geographic coverage area of the health benefit plan and that meets
5 the terms and conditions for participation established by the insurer, including
6 price, dispensing fee, and copay requirements of a mail-order option. The
7 retail pharmacy shall not be required to dispense by mail.

8 (c) The mail-order option shall not permit the dispensing of a controlled
9 substance classified in Schedule II.

10 ~~(14)~~~~(15)~~ The policy or policies provided to state employees or their dependents
11 pursuant to this section shall provide coverage for obtaining a hearing aid and
12 acquiring hearing aid-related services for insured individuals under eighteen (18)
13 years of age, subject to a cap of one thousand four hundred dollars (\$1,400) every
14 thirty-six (36) months *pursuant to KRS 304.17A-132.*

15 ~~(15)~~~~(16)~~ If a state employee's residence and place of employment are in the same
16 county, and if the hospital located within that county does not offer surgical
17 services, intensive care services, obstetrical services, level II neonatal services,
18 diagnostic cardiac catheterization services, and magnetic resonance imaging
19 services, the employee may select a plan available in a contiguous county that does
20 provide those services, and the state contribution for the plan shall be the amount
21 available in the county where the plan selected is located.

22 ~~(16)~~~~(17)~~ If a state employee's residence and place of employment are each located in
23 counties in which the hospitals do not offer surgical services, intensive care
24 services, obstetrical services, level II neonatal services, diagnostic cardiac
25 catheterization services, and magnetic resonance imaging services, the employee
26 may select a plan available in a county contiguous to the county of residence that
27 does provide those services, and the state contribution for the plan shall be the

1 amount available in the county where the plan selected is located.

2 ~~(17)~~~~(18)~~ The Personnel Cabinet is encouraged to study whether it is fair and reasonable
3 and in the best interests of the state group to allow any carrier bidding to offer
4 health care coverage under this section to submit bids that may vary county by
5 county or by larger geographic areas.

6 ~~(18)~~~~(19)~~ Notwithstanding any other provision of this section, the bid for proposals for
7 health insurance coverage for calendar year 2004 shall include a bid scenario that
8 reflects the statewide rating structure provided in calendar year 2003 and a bid
9 scenario that allows for a regional rating structure that allows carriers to submit bids
10 that may vary by region for a given product offering as described in this subsection:

11 (a) The regional rating bid scenario shall not include a request for bid on a
12 statewide option;

13 (b) The Personnel Cabinet shall divide the state into geographical regions which
14 shall be the same as the partnership regions designated by the Department for
15 Medicaid Services for purposes of the Kentucky Health Care Partnership
16 Program established pursuant to 907 KAR 1:705;

17 (c) The request for proposal shall require a carrier's bid to include every county
18 within the region or regions for which the bid is submitted and include but not
19 be restricted to a preferred provider organization (PPO) option;

20 (d) If the Personnel Cabinet accepts a carrier's bid, the cabinet shall award the
21 carrier all of the counties included in its bid within the region. If the Personnel
22 Cabinet deems the bids submitted in accordance with this subsection to be in
23 the best interests of state employees in a region, the cabinet may award the
24 contract for that region to no more than two (2) carriers; and

25 (e) Nothing in this subsection shall prohibit the Personnel Cabinet from including
26 other requirements or criteria in the request for proposal.

27 **(19) Any fully insured health benefit plan or self-insured plan issued or renewed on or**

1 after the effective date of this Act to public employees pursuant to this section
 2 which provides coverage for services rendered by a physician or osteopath duly
 3 licensed under KRS Chapter 311 that are within the scope of practice of an
 4 optometrist duly licensed under the provisions of KRS Chapter 320 shall provide
 5 the same payment of coverage to optometrists as allowed for those services
 6 rendered by physicians or osteopaths.

7 (20) Any fully insured health benefit plan or self-insured plan issued or renewed on or
 8 after the effective date of this Act to public employees pursuant to this section
 9 shall comply with the provisions of KRS 304.17A-270 and 304.17A-525.

10 (21) Any full insured health benefit plan or self insured plan issued or renewed on or
 11 after the effective date of this Act to public employees shall comply with KRS
 12 304.17A-600 to 304.17A-633 pertaining to utilization review, KRS 205.593 and
 13 KRS 304.17A-700 to 304.17A-730 pertaining to payment of claims, KRS 304.14-
 14 135 pertaining to uniform health insurance claim forms, KRS 304.17A-580 and
 15 KRS 304.17A-641 pertaining to emergency medical care, and KRS 304.99-123,
 16 and any administrative regulations promulgated thereunder.

17 SECTION 2. A NEW SECTION OF KRS CHAPTER 18A IS CREATED TO
 18 READ AS FOLLOWS:

19 (1) (a) In addition to the health insurance coverage required by Section 1 of this
 20 Act, the secretary of the Finance and Administration Cabinet shall procure a
 21 comprehensive dental insurance plan or plans that shall be available to all state
 22 employees, as defined in subsection (1)(a) of Section 1 of this Act, on a voluntary
 23 payroll deduction basis. The dental insurance plan or plans shall be offered from
 24 one (1) or more dental insurance companies, one (1) or more nonprofit hospital,
 25 medical-surgical, dental, and health service corporations licensed pursuant to
 26 Subtitles 3, 5, and 32 of KRS Chapter 304, or one (1) or more limited health
 27 services organizations licensed pursuant to Subtitles 3, 5, and 38A of KRS

1 Chapter 304.

2 (b) For the purposes of this section a "comprehensive dental insurance plan"

3 shall include preventive care and diagnostic care, and may include:

4 1. Emergency care;

5 2. Restorative care;

6 3. Oral and maxillofacial surgery;

7 4. Endodontics;

8 5. Periodontics;

9 6. Prosthodontics; or

10 7. Orthodontics.

11 (c) Nothing in this section shall be construed to prohibit the availability of

12 dental benefits provided by the policy or policies of group health insurance

13 coverage offered pursuant to Section 1 of this Act.

14 (d) The company or companies offering dental benefits to state employees shall,

15 with the direction and approval of the Personnel Cabinet, make available to

16 each individual eligible to enroll in dental benefits plan information on

17 services and benefits, including maximums, limitations, and exclusions that

18 the Personnel Cabinet considers necessary to enable the individual to make

19 an informed decision about electing coverage.

20 (e) If an employee moves his or her place of residence or employment out of the

21 service area of an insurer that offers a dental plan and utilizes a provider

22 network, the employee shall be given an option, at the time of the move or

23 transfer, to change his or her coverage to another dental plan.

24 (f) The dental insurance plan or plans offered to state employees shall comply

25 with the provisions of KRS 304.17A-270.

26 (2) (a) In addition to health insurance coverage required by Section 1 of this Act,

27 the secretary of the Finance and Administration Cabinet shall procure a

comprehensive vision insurance plan or plans, which shall be available to all state employees, as defined in subsection (1)(a) of Section 1 of this Act, on a voluntary payroll deduction basis. The vision insurance plan or plans shall be offered from one (1) or more vision insurance companies, one (1) or more nonprofit hospital, medical-surgical dental, and health service corporations licensed pursuant to Subtitles 3, 5, and 32 of KRS Chapter 304, or one (1) or more limited health services organizations licensed pursuant to Subtitles 3, 5, and 38A of KRS Chapter 304.

(b) The benefits to be provided under the comprehensive vision insurance plan under this section may include:

1. Diagnostic services, including refractive services;
2. Preventive care; and
3. Eyewear.

(c) Nothing in this section shall be construed to prohibit the availability of vision benefits provided by the policy or policies of group health insurance coverage offered pursuant to Section 1 of this Act.

(d) The company or companies offering vision benefits to state employees shall, with the direction and approval of the Personnel Cabinet, make available to each individual eligible to enroll in vision benefits plan information on services and benefits, including maximums, limitations, and exclusions that the Personnel Cabinet considers necessary to enable the individual to make an informed decision about electing coverage.

(e) If an employee moves his or her place of residence or employment out of the service area of an insurer that offers a vision plan and utilizes a provider network, the employee shall be given an option, at the time of the move or transfer, to change his or her coverage to another vision plan.

(f) The vision insurance plan or plans offered to state employees shall comply

1 with the provisions of KRS 304.17A-270.

2 (3) The dental insurance plan authorized by subsection (1) of this section and the
 3 vision insurance plan authorized by subsection (2) of this section shall be made
 4 available to state employees on a voluntary payroll deduction basis only, with the
 5 employee bearing the entire cost of the policy premium. The policy or policies
 6 shall be approved by the executive director of the Office of Insurance.

7 (4) (a) In addition to the health insurance required by Section 1 of this Act and the
 8 comprehensive dental and vision insurance plans required under this
 9 section, the secretary of the Finance and Administration Cabinet shall
 10 procure a dental health discount plan or plans and a vision health discount
 11 plan or plans for state employees, as defined in subsection (1)(a) of Section
 12 1 of this Act. For the purposes of this subsection, "health discount plan"
 13 has the meaning given it in KRS 367.828.

14 (b) The health discount plans authorized by this subsection shall be made
 15 available to state employees on a voluntary payroll deduction basis only,
 16 with the employee bearing the entire cost of the discount plan.

17 (5) The Personnel Secretary may promulgate administrative regulations to
 18 implement the provisions of this section.

19 Section 3. KRS 61.702 is amended to read as follows:

20 (1) (a) The board of trustees of Kentucky Retirement Systems shall arrange by
 21 appropriate contract or on a self-insured basis to provide a group hospital and
 22 medical insurance plan for present and future recipients of a retirement
 23 allowance from the Kentucky Employees Retirement System, County
 24 Employees Retirement System, and State Police Retirement System, except as
 25 provided in subsection (8) of this section. The board shall also arrange to
 26 provide health care coverage through an insurer licensed pursuant to KRS
 27 Chapter 304 Subtitle 38 and offering a managed care plan as defined in

1 ~~KRS 304.17A-500~~[by health maintenance organizations, as defined in KRS
 2 ~~18A.225~~], as an alternative to group hospital and medical insurance for any
 3 person eligible for hospital and medical benefits under this section. Any
 4 person who chooses coverage under a managed care plan[by a health
 5 ~~maintenance organization~~] shall pay, by payroll deduction from the retirement
 6 allowance or by another method, the difference in premium between the cost
 7 of the managed care plan[health maintenance organization] coverage and the
 8 benefits to which he would be entitled under this section.

9 (b) The board may authorize present and future recipients of a retirement
 10 allowance from any of the three (3) retirement systems to be included in the
 11 state employees' group for hospital and medical insurance and shall provide
 12 benefits for recipients equal to those provided to state employees having the
 13 same Medicare hospital and medical insurance eligibility status, except as
 14 provided in subsection (8) of this section. Notwithstanding the provisions of
 15 any other statute, recipients shall be included in the same class as current state
 16 employees in determining medical insurance policies and premiums.

17 (c) For recipients of a retirement allowance who are not eligible for the same
 18 level of hospital and medical benefits as recipients living in Kentucky having
 19 the same Medicare hospital and medical insurance eligibility status, the board
 20 shall provide a medical insurance reimbursement plan as described in
 21 subsection (7) of this section.

22 (2) Each employer participating in the State Police Retirement System as provided for
 23 in KRS 16.510 to 16.652, each employer participating in the County Employees
 24 Retirement System as provided in KRS 78.510 to 78.852, and each employer
 25 participating in the Kentucky Employees Retirement System as provided for in KRS
 26 61.510 to 61.705 shall contribute to the Kentucky Retirement Systems insurance
 27 fund the amount necessary to provide hospital and medical insurance as provided

1 for under this section. Such employer contribution rate shall be developed by
2 appropriate actuarial method as a part of the determination of each respective
3 employer contribution rate to each respective retirement system determined under
4 KRS 61.565.

5 (3) (a) The premium required to provide hospital and medical benefits under this
6 section shall be paid:

- 7 1. Wholly or partly from funds contributed by the recipient of a retirement
8 allowance, by payroll deduction, or otherwise;
- 9 2. Wholly or partly from funds contributed by the Kentucky Retirement
10 Systems insurance fund;
- 11 3. Wholly or partly from funds contributed by another state-administered
12 retirement system under a reciprocal arrangement, except that any
13 portion of the premium paid from the Kentucky Retirement Systems
14 insurance fund under a reciprocal agreement shall not exceed the amount
15 that would be payable under this section if all the member's service were
16 in one (1) of the systems administered by the Kentucky Retirement
17 Systems;
- 18 4. Partly from subparagraphs 1., 2., or 3., except that any premium for
19 hospital and medical insurance over the amount contributed by the
20 Kentucky Retirement Systems insurance fund or another state-
21 administered retirement system under a reciprocal agreement shall be
22 paid by the recipient. If the board provides for cross-referencing of
23 insurance premiums, the employer's contribution for the working
24 member or spouse shall be applied toward the premium, and the
25 Kentucky Retirement Systems insurance fund shall pay the balance, not
26 to exceed the monthly contribution.
- 27 5. In full from the Kentucky Retirement Systems insurance fund for all

1 recipients of a retirement allowance from any of the three (3) retirement
2 systems where such recipient is a retired former member of one (1) or
3 more of the three (3) retirement systems (not a beneficiary or dependent
4 child receiving benefits) and had two hundred and forty (240) months or
5 more of service upon retirement. Should such recipient have less than
6 two hundred forty (240) months of service but have at least one hundred
7 eighty (180) months of service, seventy-five percent (75%) of such
8 premium shall be paid from the insurance fund provided such recipient
9 agrees to pay the remaining twenty-five percent (25%) by payroll
10 deduction from his retirement allowance or by another method. Should
11 such recipient have less than one hundred eighty (180) months of service
12 but have at least one hundred twenty (120) months of service, fifty
13 percent (50%) of such premium shall be paid from the insurance fund
14 provided such recipient agrees to pay the remaining fifty percent (50%)
15 by payroll deduction from his retirement allowance or by another
16 method. Should such recipient have less than one hundred twenty (120)
17 months of service but have at least forty-eight (48) months of service,
18 twenty-five percent (25%) of such premium shall be paid from the
19 insurance fund provided such recipient agrees to pay the remaining
20 seventy-five percent (75%) by payroll deduction from his retirement
21 allowance or by another method. Notwithstanding the foregoing
22 provisions of this subsection, an employee participating in one (1) of the
23 retirement systems administered by the Kentucky Retirement Systems
24 who becomes disabled in the line of duty as defined in KRS 16.505(19)
25 or KRS 61.621, shall have his premium paid in full as if he had two
26 hundred forty (240) months or more of service. Further, an employee
27 participating in one (1) of the retirement systems administered by the

1 Kentucky Retirement Systems who is killed in the line of duty as
2 defined in KRS 16.505(19) or KRS 61.621, shall have the premium for
3 the beneficiary, if the beneficiary is the member's spouse, and for each
4 dependent child paid so long as they individually remain eligible for a
5 monthly retirement benefit. "Months of service" as used in this section
6 shall mean the total months of combined service used to determine
7 benefits under any or all of the three (3) retirement systems, except
8 service added to determine disability benefits shall not be counted as
9 "months of service." For current and former employees of the Council
10 on Postsecondary Education who were employed prior to January 1,
11 1993, and who earn at least fifteen (15) years of service credit in the
12 Kentucky Employees Retirement System, "months of service" shall also
13 include vested service in another retirement system other than the
14 Kentucky Teachers' Retirement System sponsored by the Council on
15 Postsecondary Education.

16 (b) For a member electing insurance coverage through the Kentucky Retirement
17 Systems, "months of service" shall include, in addition to service as described
18 in paragraph (a) of this subsection, service credit in one of the other state-
19 administered retirement plans.

20 1. Effective August 1, 1998, the Kentucky Retirement Systems shall
21 compute the member's combined service, including service credit in
22 another state-administered retirement plan, and calculate the portion of
23 the member's premium to be paid by the insurance fund, according to the
24 criteria established in paragraph (a) of this subsection. Each state-
25 administered retirement plan annually shall pay to the insurance fund the
26 percentage of the system's cost of the retiree's monthly contribution for
27 single coverage for hospital and medical insurance which shall be equal

1 to the percentage of the member's number of months of service in the
2 other state-administered retirement plan divided by his total combined
3 service. The amounts paid by the other state-administered retirement
4 plans and the insurance fund shall not be more than one hundred percent
5 (100%) of the monthly contribution adopted by the respective boards of
6 trustees.

7 2. A member may not elect coverage for hospital and medical benefits
8 under this subsection through more than one (1) of the state-
9 administered retirement plans.

10 3. A state-administered retirement plan shall not pay any portion of a
11 member's monthly contribution for medical insurance unless the member
12 is a recipient or annuitant of the plan.

13 (4) (a) Group rates under the hospital and medical insurance plan shall be made
14 available to the spouse, each dependent child, and each disabled child,
15 regardless of the disabled child's age, of a recipient who is a former member
16 or the beneficiary, if the premium for the hospital and medical insurance for
17 the spouse, each dependent child, and each disabled child, or beneficiary is
18 paid by payroll deduction from the retirement allowance or by another
19 method. A child shall be considered disabled if he has been determined to be
20 eligible for federal Social Security disability benefits.

21 (b) The other provisions of this section notwithstanding, the insurance fund shall
22 pay a percentage of the monthly contribution for the spouse and for each
23 dependent child of a recipient who was a member of the General Assembly
24 and is receiving a retirement allowance based on General Assembly service, of
25 the Kentucky Employees Retirement System and determined to be in a
26 hazardous position, of the County Employees Retirement System, and
27 determined to be in a hazardous position or of the State Police Retirement

1 System. The percentage of the monthly contribution paid for the spouse and
2 each dependent child of a recipient who was in a hazardous position shall be
3 based solely on the member's service with the State Police Retirement System
4 or service in a hazardous position using the formula in subsection (3)(a) of
5 this section, except that for any recipient of a retirement allowance from the
6 County Employees Retirement System who was contributing to the system on
7 January 1, 1998, for service in a hazardous position, the percentage of the
8 monthly contribution shall be based on the total of hazardous service and any
9 nonhazardous service as a police or firefighter with the same agency, if that
10 agency was participating in the County Employees Retirement System but did
11 not offer hazardous duty coverage for its police and firefighters at the time of
12 initial participation.

13 (c) The insurance fund shall continue the same level of coverage for a recipient
14 who was a member of the County Employees Retirement System after the age
15 of sixty-five (65) as before the age of sixty-five (65), if the recipient is not
16 eligible for Medicare coverage. If the insurance fund provides coverage for the
17 spouse or each dependent child of a former member of the County Employees
18 Retirement System, the insurance fund shall continue the same level of
19 coverage for the spouse or each dependent child after the age of sixty-five (65)
20 as before the age of sixty-five (65), if the spouse or dependent child is not
21 eligible for Medicare coverage.

22 (5) After July 1, 1998, notwithstanding any other provision to the contrary, a member
23 who holds a judicial office but did not elect to participate in the Judicial Retirement
24 Plan and is participating instead in the Kentucky Employees Retirement System, the
25 County Employees Retirement System, or the State Police Retirement System, as
26 provided in KRS 61.680, and who has at least twenty (20) years of total service,
27 one-half (1/2) of which is in a judicial office, shall receive the same hospital and

1 medical insurance benefits, including paid benefits for spouse and dependents, as
2 provided to persons retiring under the provisions of KRS 21.427. The
3 Administrative Office of the Courts shall pay the cost of the medical insurance
4 benefits provided by this subsection.

5 (6) Premiums paid for hospital and medical insurance coverage procured under
6 authority of this section shall be exempt from any premium tax which might
7 otherwise be required under KRS Chapter 136. The payment of premiums by the
8 insurance fund shall not constitute taxable income to an insured recipient. No
9 commission shall be paid for hospital and medical insurance procured under
10 authority of this section.

11 (7) The board shall promulgate an administrative regulation to establish a medical
12 insurance reimbursement plan to provide reimbursement for hospital and medical
13 insurance premiums of recipients of a retirement allowance who are not eligible for
14 the same level of hospital and medical benefits as recipients living in Kentucky and
15 having the same Medicare hospital and medical insurance eligibility status. An
16 eligible recipient shall file proof of payment for hospital and medical insurance at
17 the retirement office. Reimbursement to eligible recipients shall be made on a
18 quarterly basis. The recipient shall be eligible for reimbursement of substantiated
19 medical insurance premiums for an amount not to exceed the total monthly
20 premium determined under subsection (3) of this section. The plan shall not be
21 made available if all recipients are eligible for the same coverage as recipients
22 living in Kentucky.

23 (8) For employees having a membership date on or after July 1, 2003, participation in
24 the insurance benefits provided under this section shall not be allowed until the
25 employee has earned at least one hundred twenty (120) months of service in the
26 state-administered retirement systems.

(a) An employee who earns at least one hundred twenty (120) months of service

1 in the state-administered retirement systems shall be eligible for benefits as
2 follows:

- 3 1. For employees who are not in a hazardous position, a monthly insurance
4 contribution of ten dollars (\$10) for each year of service as a
5 participating employee.
- 6 2. For employees who are in a hazardous position or who participate in the
7 State Police Retirement System, a monthly insurance contribution of
8 fifteen dollars (\$15) for each year of service as a participating employee
9 in a hazardous position or as a participating member of the State Police
10 Retirement System. Upon the death of the retired member, the
11 beneficiary, if the beneficiary is the member's spouse, shall be entitled to
12 a monthly insurance contribution of ten dollars (\$10) for each year of
13 service the member attained as a participating employee in a hazardous
14 position or as a participating member of the State Police Retirement
15 System.

16 (b) The one hundred twenty (120) months of service requirement shall be waived
17 for a member who is disabled or killed in the line of duty as defined in KRS
18 16.505(19) or KRS 61.621, and the member or his beneficiary shall be entitled
19 to the benefits payable under this subsection as though the member had twenty
20 (20) years of service in a hazardous position.

21 (c) The monthly insurance contribution amount shall be increased July 1 of each
22 year by the percentage change in the annual average of the consumer price
23 index for all urban consumers for the most recent calendar year as published
24 by the federal Bureau of Labor Statistics, not to exceed five percent (5%). The
25 increase shall be cumulative and shall continue to accrue after the member's
26 retirement for as long as a monthly insurance contribution is payable to the
27 retired member or beneficiary.

(d) The benefits of this subsection provided to a member whose participation begins on or after July 1, 2003, shall not be considered as benefits protected by the inviolable contract provisions of KRS 61.692, 16.652, and 78.852. The General Assembly reserves the right to suspend or reduce the benefits conferred in this subsection if in its judgment the welfare of the Commonwealth so demands.

Section 4. KRS 161.675 is amended to read as follows:

- (1) The board of trustees shall arrange by appropriate contract or on a self-insured basis to provide a broad program of group hospital and medical insurance for present and future eligible recipients of a retirement allowance from the Teachers' Retirement System. The board of trustees may also arrange to provide health insurance coverage through an insurer licensed pursuant to KRS Chapter 304 Subtitle 38 and offering a managed care plan as defined in KRS 304.17A-500~~[by health maintenance organizations as defined in KRS 18A.225]~~ as an alternative to group hospital and medical insurance for persons eligible for hospital and medical benefits under this section. The board of trustees may authorize present and future eligible recipients of a retirement allowance from the Teachers' Retirement System who are less than age sixty-five (65) to be included in the state-sponsored health insurance that is provided to active teachers and state employees under KRS 18A.225. Members who are sixty-five (65) or older and retired for service shall not be eligible to participate in the state employee health insurance program as described in KRS 18A.225.
- (2) The coverage provided shall be as set forth in the contracts and the administrative regulations of the board of trustees. The board of trustees may change the levels of coverage and eligibility conditions to meet the changing needs of the annuitants and when necessary to contain the expenses of the insurance program within the funds available to finance the insurance program. The contracts and administrative

1 regulations shall provide for but not be limited to hospital room and board, surgical
2 procedures, doctors' care in the hospital, and miscellaneous hospital costs. An
3 annuitant whose effective date of retirement is July 1, 1974, and thereafter, must
4 have a minimum of five (5) years' creditable Kentucky service in the Teachers'
5 Retirement System or five (5) years of combined creditable service in the state-
6 administered retirement systems if the member is retiring under the reciprocity
7 provisions of KRS 61.680 and 61.702. A member retiring under the reciprocity
8 provisions of KRS 61.680 and 61.702 may not elect coverage through more than
9 one (1) of the state-administered retirement systems. The board of trustees shall
10 offer coverage to the disabled child of an annuitant regardless of the disabled child's
11 age if the annuitant pays the entire premium for the disabled child's coverage. A
12 child shall be considered disabled if he has been determined to be eligible for
13 federal Social Security disability benefits.

14 (3) All expenses for benefits under this section shall be paid from the funding
15 provisions contained in KRS 161.420(5), premium charges received from the
16 annuitants and the spouses, and from funds that may be appropriated or allocated by
17 statute.

18 (4) (a) The board of trustees shall determine the amount of health insurance supplement
19 payments that the Teachers' Retirement System will provide to assist eligible
20 annuitants in paying the cost of their health insurance, based on the funds
21 available in the medical insurance fund. The board of trustees shall establish
22 the maximum monthly amounts of health insurance supplement payments that
23 will be made by the retirement system for eligible annuitants. The board of
24 trustees shall annually establish the percentage of the maximum monthly
25 health insurance supplement payment that will be made, based on age and
26 years of service credit of eligible recipients of a retirement allowance.
27 Monthly health insurance supplement payments made by the retirement

1 system may not exceed the amount of the single coverage insurance premium
2 chosen by the eligible annuitants. In order to qualify for health insurance
3 supplements made by the retirement system, the annuitant must agree to pay
4 the difference between the insurance premium and the applicable supplement
5 payment, by payroll deduction from his retirement allowance, or by a payment
6 method approved by the retirement system.

7 (b) The board of trustees may offer, on a full-cost basis, health care insurance
8 coverage provided by the retirement system to spouses and dependents of
9 eligible annuitants not otherwise eligible for regular coverage. Recipients of a
10 retirement allowance from the retirement system must agree to pay the cost of
11 this coverage by payroll deduction from their retirement allowance or by a
12 payment method approved by the retirement system.

13 (c) The board of trustees shall offer, on a full-cost basis, health insurance
14 coverage provided by the retirement system to the disabled child of an
15 annuitant, regardless of the age of the disabled child. A child shall be
16 considered disabled for purposes of this section if the child has been
17 determined to be eligible for federal Social Security disability benefits.

18 (5) The board of trustees is empowered to require the annuitant and the annuitant's
19 spouse to pay a premium charge to assist in the financing of the hospital and
20 medical insurance program. The board of trustees is empowered to pay the expenses
21 for insurance coverage from the medical insurance fund, from the premium charges
22 received from the annuitants and the spouses, and from funds that may be
23 appropriated or allocated by statute. The board may provide insurance coverage by
24 making payment to insurance carriers including health insurance plans that are
25 available to active and retired state employees and active teachers, institutions, and
26 individuals for services performed, or the board of trustees may elect to provide
27 insurance on a "self-insurance" basis or a combination of these provisions.

- 1 (6) The board of trustees may approve health insurance supplement payments to
2 eligible annuitants who are less than sixty-five (65) years of age, as reimbursement
3 for hospital and medical insurance premiums made by annuitants for their
4 individual coverage. Eligible annuitants or recipients are those annuitants who are
5 not eligible for Medicare and who do not reside in Kentucky or in an area outside of
6 Kentucky where comparable coverage is available. The reimbursement payments
7 shall not exceed the minimum supplement payment that would have been made had
8 the annuitant lived in Kentucky. Eligible annuitants or recipients shall submit proof
9 of payment to the retirement system for hospital and medical insurance that they
10 have obtained. Reimbursement payments shall be made on a quarterly basis.
- 11 (7) Contracts negotiated may include the provision that a stated amount of hospital cost
12 or period of hospitalization shall incur no obligation on the part of the insurance
13 carrier or the retirement system.
- 14 (8) The board of trustees is empowered to promulgate administrative regulations to
15 assure efficient operation of the hospital and medical insurance program.
- 16 (9) Premiums paid for hospital and medical insurance coverage procured under
17 authority of this section shall be exempt from any premium tax which might
18 otherwise be required under KRS Chapter 136. The payment of premiums by the
19 insurance fund shall not constitute taxable income to an insured recipient.
- 20 (10) In the event that a member is providing services on less than a full-time basis under
21 KRS 161.605, the retirement system may pay the full cost of the member's health
22 insurance coverage for the full fiscal year that the member is providing those
23 services, at the conclusion of which, the retirement system may then bill the active
24 employer and the active employer shall reimburse the retirement system for the cost
25 of the health insurance coverage incurred by the retirement system on a pro rata
26 basis for the time that the member was employed by the active employer.

27 SECTION 5. A NEW SECTION OF KRS CHAPTER 18A IS CREATED TO

1 READ AS FOLLOWS:

2 Any self-insured plan offered by the Personnel Cabinet shall include a mail-order drug
 3 option for maintenance drugs for public employees, and maintenance drugs may be
 4 dispensed by mail in accordance with Kentucky law. The mail-order drug option shall
 5 not permit the dispensing of a controlled substance classified in Schedule II. The self-
 6 insured plan shall not discriminate against any retail pharmacy located within the
 7 geographic coverage area of the plan that meets the terms and conditions for
 8 participation established by the plan, including price, dispensing fee, and copay
 9 requirements of a mail-order drug option. The retail pharmacy shall not be required to
 10 dispense by mail. The net cost to the plan for a quantity of maintenance drugs
 11 dispensed by mail order shall not exceed the net cost to the plan for the same quantity
 12 of the same drug dispensed by a retail pharmacy under the terms and conditions
 13 established for dispensing and reimbursement at retail.

14 SECTION 6. A NEW SECTION OF SUBTITLE 17A OF KRS CHAPTER 304 IS
 15 CREATED TO READ AS FOLLOWS:

16 Any health benefit plan issued or renewed on or after the effective date of this Act
 17 which provides coverage for services rendered by a physician or osteopath duly
 18 licensed under KRS Chapter 311 that are within the scope of practice of an optometrist
 19 duly licensed under the provisions of KRS Chapter 320 shall provide the same payment
 20 for coverage to optometrists as allowed for those services rendered by physicians or
 21 osteopaths.

22 SECTION 7. A NEW SECTION OF SUBTITLE 17B OF KRS CHAPTER 304 IS
 23 CREATED TO READ AS FOLLOWS:

24 Any health benefit plan issued or renewed on or after the effective date of this Act by
 25 Kentucky Access which provides coverage for services rendered by a physician or
 26 osteopath duly licensed under KRS Chapter 311 that are within the scope of practice of
 27 an optometrist duly licensed under the provisions of KRS Chapter 320 shall provide the

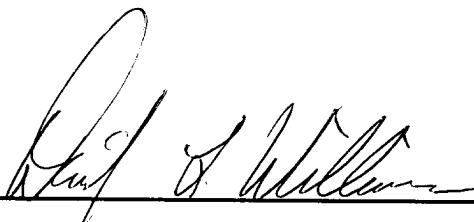
1 same payment for coverage to optometrists as allowed for those services rendered by
2 physicians or osteopaths.

3 SECTION 8. A NEW SECTION OF SUBTITLE 17C OF KRS CHAPTER 304 IS
4 CREATED TO READ AS FOLLOWS:

5 Any limited health service benefit plan issued or renewed on or after the effective date
6 of this Act which provides coverage for services rendered by a physician or osteopath
7 duly licensed under KRS Chapter 311 that are within the scope of practice of an
8 optometrist duly licensed under the provisions of KRS Chapter 320 shall provide the
9 same payment of coverage to optometrists as allowed for those services rendered by
10 physicians or osteopaths.




Speaker-House of Representatives



President of the Senate

Attest: 

Chief Clerk of House of Representatives

Approved 

Governor

Date 
